

---

# Program Memorandum

## Intermediaries/Carriers

---

Department of Health and  
Human Services (DHHS)  
HEALTH CARE FINANCING  
ADMINISTRATION (HCFA)

Transmittal AB-00-11

Date: MARCH 2000

---

### CHANGE REQUEST 899

**SUBJECT: Medicare Secondary Payer (MSP) -- Identification and Write Off/Adjustment of MSP Settlement Related Group Health Plan (GHP) Based Accounts Receivable (AR), and Write Off of Unsupportable MSP AR**

One of HCFA's financial management initiatives for Fiscal Year 2000 focuses on MSP AR. These instructions address the identification and write off/adjustment of MSP settlement related GHP based AR as well as the write off of unsupportable MSP AR. Subsequent instructions will address the write off of MSP AR based upon aging criteria.

The AR addressed in this Program Memorandum (PM) normally do not require recording on the Provider Overpayment Report (POR) or Physician/Supplier Overpayment Report (PSOR) systems. However, if any of the AR were previously recorded on the POR or PSOR systems, contractors must ensure the AR are removed simultaneously from the POR or PSOR systems as they transfer AR or write off unsupportable AR per the instructions in this PM. All transfers of AR to the HCFA regional offices (ROs) will be done on line 6.E. of the HCFA-751A/B reports. It will also be the responsibility of the RO to ensure that the transferred AR are not duplicated on the POR or PSOR systems. [**Note:** Provider, physician and other supplier AR that are the result of multiple primary payments being made by Medicare and another primary payer ("duplicate payments") were **not** released under any of the GHP settlements. Consequently such AR are not affected by this PM unless they meet the criteria for write off as unsupportable AR.]

### **Identification and Write Off/Adjustment of MSP Settlement Related GHP Based AR**

For ease of reference, this effort is referred to as the "settlement cleanup" in this PM. Contractors should also be aware that HCFA has assigned a settlement code identification number (settlement code) to each of the existing settlements. This settlement code will be used in providing information to the contractors and used by contractors and ROs in reporting on the settlement cleanup efforts. (A list of the applicable settlement codes is set forth later in this section of the PM.)

HCFA's Division of Financial Integrity (DFI) has associated related open Mistaken Payment and Recovery Tracking System (MPaRTS) recovery cases with existing settlements. Contractors were provided with information necessary to remove these settlement-related AR from their books by Data Center Processors through the Network Data Mover (NDM) process in November 1999. If there are any additional settlements, RO MSP Coordinators will notify contractors of the applicable settlement code and the need to write off/adjust the associated AR, as appropriate.

The settlement code identification numbers assigned to existing settlements and the criteria for claims to be released under each settlement are set forth below. Please note that the Provident settlement uses the date of claims payment (vs. date of service) as its benchmark for release under the settlement agreement.

Settlement 01:  
Blue Cross Blue Shield Association  
Release included dates of service through 7/17/95

**HCFA-Pub. 60AB**

Settlement 02:  
Blue Cross Blue Shield of Florida  
Release included dates of service through 7/17/95

Settlement 03:  
Blue Cross Blue Shield of Michigan  
Release included dates of service through 11/30/94

Settlement 04:  
Blue Cross Blue Shield of Massachusetts  
Release included dates of service through 5/10/97

Settlement 05:  
Provident  
Release included claims paid through 5/27/93

Settlement 06:  
Travelers  
Release included dates of service through 6/28/95

Settlement 07:  
Transamerica  
Release included dates of service through 11/22/96

(See the discussion of the Health Insurance Association of America (HIAA) decision later in this PM for a discussion of write offs related to this decision.)

Each contractor has been provided with information on a settlement-by-settlement basis for each contractor number it has reflected in MPaRTS (that is, each contractor will be able to identify its AR for a particular settlement). The specific data, as of the date of creation of the file, which was provided for each open MPaRTS Report ID identified by HCFA Central Office (CO) as settlement related includes:

- Settlement Code
- Beneficiary Health Insurance Claim Number (HICN)
- Beneficiary Name
- MPaRTS Report ID
- Insurer Name
- MPaRTS Status Codes (existing code and settlement cleanup code)
- Employer Name
- Employer Identification Number (EIN)
- Demand Amount

Contractors were provided access to the above information in the following manner: (1) by the NDM process in the same manner as the Data Match (DM) cycle information is transmitted (but **not** in the same format as the DM cycle information), (2) by the "Fast Reports" located on the MPaRTS Main Menu screen (information on downloading was transmitted to the RO MSP Coordinators who then transmitted this information to contractors), and (3) by hard copy through the ROs in the same manner as the monthly MPaRTS report.

As indicated in the instructions below, HCFA CO is performing the update to MPaRTS with respect to those MPaRTS Report IDs identified by HCFA CO as settlement related. Contractors must update MPaRTS for any additional settlement related DM GHP based AR they identify. (Please note that an explanation of the current status codes is contained in Appendix D of the MPaRTS User Guide. All contractors should already have this information.)

Information showing existing MPaRTS status codes and the associated settlement cleanup updated status codes for MPaRTS Report IDs **where all AR associated with the Report ID fall within the period released under the settlement agreement** is set forth below.

<u>Existing MPaRTS Status Code</u>	<u>Settlement Cleanup Updated MPaRTS Status Code</u>
00	SF
DR	SF
BR	SF
CB	CB
CD	SF
CN	SF
CP	SP
CT	CT
DS	SF
NR	SF
PR	SP
RR	SF
RC	SF
XX	SF

These are the updated MPaRTS status codes that will be used by HCFA CO for updates to the Report IDs furnished to contractors. These are also the updated status codes that contractors must use to update MPaRTS for any additional settlement related DM GHP based AR they identify where **all** of the AR associated with the Report ID fall within the criteria for release under the settlement agreement. Please note that status codes CB (amounts previously recovered/no demand) and CT (closed/total recovery) will remain the same for these cases. All other codes for these cases will be updated to SF (settlement final) or SP (settlement partial recovery).

**For those MPaRTS Report IDs furnished by HCFA CO, the contractor should assume that all AR related to that Report ID are released under the settlement agreement identified by HCFA CO and fall within the criteria for release under that settlement agreement unless the AR is a duplicate payment AR where payment is being pursued from the beneficiary or the provider, physician or other supplier.**

Contractors may identify additional settlement related GHP based AR, both DM and non-DM. In some instances, some but not all of the AR associated with the case will meet the criteria for release under the applicable settlement agreement. For purposes of this PM, cases involving AR where only part of the AR are released under the settlement agreement will be referred to as "bridge cases." The updated MPaRTS status code to be used by contractors for **all** DM bridge cases is PR. If the existing MPaRTS status code for a DM bridge case is PR, no change is required. If the existing MPaRTS status code for a DM bridge case is 00, DR, BR, CB, CD, CN, CP, CT, DS, NR, RR, RC or XX, the contractor must update the status code to PR.

Specific contractor, RO, and HCFA CO responsibilities for the write off and adjustment of these AR are set forth below.

#### Contractor Responsibilities:

1. For settlement related GHP based AR associated **with the MPaRTS Report IDs furnished by HCFA CO** -- With the exception of duplicate payment AR, HCFA CO has made the determination that any **open** AR related to these MPaRTS Report IDs will be written off or adjusted, as appropriate, in connection with the various MSP settlements.

- a. Each contractor will search its AR database (this is not identical to the MPaRTS database) and determine if there are open AR (principal and interest) for each settlement related MPaRTS Report ID furnished by HCFA CO and whether the AR is included on the (1) HCFA-751A/B MSP, Status of Accounts Receivable Medicare Secondary Payer; (2) HCFA-751A/B, Status of Accounts Receivable; and (3) HCFA-750A/B, Contractor Financial Report. The balance of this PM will refer to these three reports as the Chief Financial Officers (CFO) Act reports.

If there is no open AR associated with a particular MPaRTS Report ID furnished by HCFA CO, the contractor should not establish one. Contractors will report the number of such Report IDs as part of the quarterly reports on the settlement cleanup effort. (See 1.d. below.)

If included on the current CFO Act reports, contractors will, with the exception of duplicate payment AR, transfer these AR to the RO on line 6.E. of the HCFA-751A/B MSP and HCFA-751A/B. In addition, report the principal portion of these AR as transfers to the RO in the Expense section of the HCFA-750A/B, Transfers to RO (POR/PSOR & Not POR/PSOR) line. The interest portion of the AR will be reported in the Revenue section of the HCFA-750A/B, Transfers to the RO (Not POR/PSOR) line. Contractors must provide a quarterly summary report to their RO MSP coordinator of the amounts (principal and interest) that are transferred to the ROs on line 6.E. for **each** settlement code using the format shown in 1.c. below.

Contractors **do not** need to update MPaRTS for the settlement related MPaRTS cases identified by HCFA CO. HCFA CO is performing the update to MPaRTS with respect to these cases.

- b. Contractors may have on their active files AR associated with the Report IDs furnished by HCFA CO that have not been reported on the CFO Act reports. Each Medicare contractor will provide to its respective RO, reports of those AR (principal and interest) for each settlement and associated MPaRTS Report IDs that they have on their files but are not carrying on the CFO Act reports. Because they have been settled, these AR should be removed from the contractor's active files. The sole exception to this pertains to duplicate payment AR that have not been reported on the CFO Act reports. Duplicate payment AR that have not been reported on the CFO Act reports should be added to the CFO Act reports unless they qualify for write off as unsupported AR. (See 1.d. below for specific information on the detailed quarterly reports to the RO MSP coordinator. See also the section of this PM addressing the write off of unsupported MSP AR.)

Contractors **do not** need to update MPaRTS for the settlement related MPaRTS cases identified by HCFA CO. HCFA CO is performing the update to MPaRTS with respect to these cases.

- c. Quarterly summary report -- Contractors must provide a summary report each quarter, to the contractor's RO MSP coordinator at the same time as the HCFA-751 A/B MSP report. This summary report must supply the following information, in the following format, for **each** Settlement Code. Settlement 01 should be addressed first followed by Settlement 02, etc.

	Principal	Interest
Settlement Code:___	Previous Quarter(s) Total	
	Plus Current Quarter Activity	_____
	Total FY-to-Date Transferred to RO	_____
		=====

- d. Quarterly detailed reports -- Contractors must provide detailed quarterly reports by Settlement Code to their respective RO MSP coordinator listing those AR (principal and interest) that they

are transferring to the ROs on the CFO Act reports and providing a status report on their settlement cleanup efforts. Documentation for AR transferred to the RO should not be forwarded to the RO; the documentation must be retained at the contractor's location. (See below for specific information on the required reports.)

Contractors must make separate reports for each Settlement Code. Reports should be in the format set forth in the spreadsheet shown in the Attachment to this PM, **sorted by the associated beneficiary HICN**. The report for each Settlement Code should contain the following information for each AR:

- Date of report
- Contractor name and number
- Contractor contact person/phone number/fax number/e-mail address
- Contractor mailing address
- Settlement Code, Settlement Name, and Report Category (see discussion below for further information on "report category")
- Beneficiary Health Insurance Claim Number (HICN)
- Beneficiary name
- MPaRTS Report ID
- Existing AR amount (principal and interest listed separately)
- Settlement cleanup status update information:
  - (a) = Number of Report IDs furnished by HCFA CO
  - (b) = Number of (a) contractor has investigated to determine if there is an associated open AR
  - (c) = Number of (b) where an open AR was found
  - (d) = Number of (b) where **no** open AR was found
  - (e) = Number of (a) awaiting investigation to determine if there is an open AR

Where there are multiple AR associated with a single MPaRTS Report ID, the contractor must list the principal and interest for each AR separately on the quarterly report to ensure an adequate audit trail.

The reports must provide totals for principal and for interest for each of the settlements.

Completed reports should be sent as soon as possible but no later than the 21 calendar days after the end of each quarter to the contractor's RO MSP Coordinator and reported on the quarterly CFO Act reports due 21 calendar days after the end of each quarter.

The reports for each settlement (potentially up to four reports per settlement) cover four different situations. Contractors must:

- (1) Provide separate listings for settlement related GHP based AR **associated with MPaRTS Report IDs furnished by HCFA CO**--
  - (a) Where the AR is currently carried on the CFO Act reports (Report Category R1), and
  - (b) Where the AR is currently carried on the contractor's active files but not on the CFO Act reports (Report Category R2).
- (2) Provide separate listings for settlement related GHP based AR **not** associated with one of the MPaRTS Report IDs furnished by HCFA CO\*--

- (a) Where the AR is currently carried on the CFO Act reports (Report Category R3), and
- (b) Where the AR is currently carried on the contractor's active files but not on the CFO Act report (Report Category R4).

(\*See no. 2 immediately below for discussion of settlement related GHP based AR which is not associated with one of the MPaRTS Report IDs furnished by HCFA CO.)

- e. The **only** systems update which will be done by HCFA CO is the MPaRTS status code update for the identified settlement related Report IDs furnished to contractors by HCFA CO. Contractors remain responsible for updating MPaRTS for all settlement related Report IDs they identify and for all other applicable systems updates.
2. Contractors may identify settlement related GHP based AR on contractor records which is **not** associated with one of the MPaRTS Report IDs furnished by HCFA CO. These may be DM or non-DM AR. Contractors are not required to perform a manual review of their AR to identify such AR; but if they have the capability to readily make this identification, they should do so. Remember that the AR (or some part of the AR, where appropriate) is **not** released under any of the GHP settlements if it the result of a duplicate payment. If contractors identify additional settlement related GHP based AR--
- a. Where such AR are currently carried on the CFO Act reports--

Contractors will transfer these AR to the RO on line 6.E. of the HCFA-751A/B MSP and HCFA-751A/B. In addition, report the principal portion of these AR as transfers to the RO in the Expense section of the HCFA-750A/B, Transfers to RO (POR/PSOR & Not POR/PSOR) line. The interest portion of the AR will be reported in the Revenue section of the HCFA-750A/B, Transfers to the RO (Not POR/PSOR) line. Contractors must provide a quarterly summary report of the amounts (principal and interest) that are transferred to the ROs on line 6.E. for **each** Settlement Code using the format shown in 1.c. above.

For bridge cases, the only AR transferred to the RO under these instructions are those AR associated with the case that fall within the criteria for release under a particular settlement agreement. For example, if the AR associated with a bridge case is \$1000, with \$600 of it released under a particular settlement agreement, only \$600 of the existing AR would be transferred to the RO. The status of the remaining \$400 would not change. Contractors **do** need to update MPaRTS for these settlement related cases if the AR is a DM AR (and, therefore, has a MPaRTS Report ID). Contractors must use the appropriate settlement cleanup MPaRTS status code. Please refer to the earlier discussion of status codes for information on the correct updated status codes, including the appropriate updated status codes for bridge cases.

- b. Where such AR are on contractor's active files but have not been reported on the CFO Act reports--

Contractors must provide detailed quarterly reports to their RO MSP coordinator of those AR (principal and interest), for each settlement (and associated MPaRTS Report IDs, if a DM AR) that they have on their files but are not carrying on the CFO Act reports. Because they have been settled, these AR should be removed from the contractors active files. The sole exception to this pertains to duplicate payment AR that have not been reported on the CFO Act reports. Duplicate payment AR that have not been reported on the CFO Act reports should be added to the CFO Act reports unless they qualify for write off as un-supportable AR.

Contractors **do** need to update MPaRTS for these settlement related GHP based cases if the AR is a DM based AR (and, therefore, has a MPaRTS Report ID). Contractors must use the appropriate settlement cleanup MPaRTS status code (see the discussion earlier in this PM for the appropriate update codes, including the appropriate update codes for bridge cases).

- c. Contractors will provide detailed quarterly reports to their RO MSP coordinator of those AR (principal and interest) for each identified settlement code. Documentation for these AR should be retained at the contractor's location, even where the AR is transferred to the RO. See 1.d. above for specific requirements for the reports.
3. Associated "interest" for write off/adjustment -- Contractors should use the amount of interest currently carried on the CFO Act reports for a particular AR (or currently carried on the contractor's active files if there is a settlement related AR being carried in the contractor's active files but not included in the CFO Act reports). If a contractor's system has not automatically updated interest, the contractor should **not** calculate and update interest before transferring the AR to the RO (or removing the AR from its active files where AR was being carried on the contractor's active files but not included in the CFO Act reports.)

For bridge cases, the only AR transferred to the RO under these instructions are those AR associated with the case that fall within the criteria for release under a particular settlement. For example, if the AR (principal amount) associated with a bridge case is \$1000, with \$600 of it released under a particular settlement agreement, only the interest associated with the \$600 would be transferred to the RO. The status of the interest associated with the remaining \$400 principal would not change.

4. Associated actions for the case files for settlement related AR which are transferred to the RO (or settlement related AR removed from the contractor's active files where the AR was being carried on the contractor's active files but not included in the CFO Act reports)--

Contractors should associate a copy of the information provided to the ROs with the case file and store the case file in accord with existing procedures. If the contractor is unable to locate one or more of the case files, the settlement cleanup quarterly reports will serve as support for the transfer of the AR to the RO. The contractor must maintain a complete set of the settlement cleanup quarterly reports to the RO in a location which is readily accessible for audit purposes.

5. Each contractor must provide a written certification to its RO attesting to completion of the settlement cleanup when its has completed its work and the corresponding reports.

HCFA RO Responsibilities:

1. Each RO will report the settlement related AR transferred from the contractors as transfers to HCFA CO on the RO Status of Accounts Receivable Report (HCFA-751A/B RO), Line 6.C., Transfers to HCFA CO (Not POR/PSOR).

ROs must provide a quarterly summary report to HCFA CO (to the attention of Mary Minnick at "mminnick@hcfa.gov") at the same time as the HCFA-751 A/B RO report. This summary report must supply the following information, in the following format, for **each** settlement code. Settlement 01 should be addressed first followed by Settlement 02, etc.

	Principal	Interest
Settlement Code:___	Previous Quarter(s) Total	
	Plus Current Quarter Activity	_____
	Total FY-to-Date Transferred to CO	_____
	=====	=====

2. The transfers from the contractors to ROs will pre-fill on line 2.B., Transfers to RO, Not on POR/PSOR, of the HCFA-751A/B RO reports. These transferred AR should be transferred to HCFA CO on Line 6.C., Transfers to HCFA CO, Not on POR/PSOR, **in the same reporting period as received from contractors.**

HCFA CO responsibilities:

HCFA CO will use the Contractor Administrative-Budget and Financial Management (CAFM) system to track and account for these AR, including write off or adjustment, as appropriate, in the Financial Accounting and Control System (FACS).

**Write off of Unsupportable MSP AR -- All Types of MSP AR:**

Unsupportable MSP AR is defined as: (1) the case file is missing and cannot be recreated, or (2) existing information is not sufficient to establish the validity of the AR. The AR described in the following situations **cannot** be considered unsupportable: (1) the AR is a DM AR (*i.e.*, has an associated MPaRTS Report ID); or (2) you can identify the beneficiary name and HICN, the items or services at issue, and the debtor (collectively, the "required information"). Contractors must be aware that even if the "required information" is difficult to locate, the debt is not unsupportable.

Contractors are not expected to examine each open MSP case to determine if the associated AR is supportable. Contractors should write off any unsupportable AR included in the CFO Act reports which they identify in the normal course of business. If contractors have AR which they believe should be written off as unsupportable but which do not fully meet the above criteria, they should contact their RO MSP coordinator. RO MSP coordinators will consult with HCFA CO if they identify an AR for which they believe that an exception to the above criteria is justified. (If contractors identify unsupportable AR being carried in the contractor's active files but not included in the CFO Act reports, such AR should be removed from the contractor's active files.)

Associated "interest" for write off -- Contractors should use the amount of interest currently carried on the CFO Act reports for a particular AR (or currently carried on the contractor's active files for an AR being carried in the contractor's active files but not included in the CFO Act reports). If a contractor's system has not automatically updated interest, the contractor should **not** calculate and update interest.

All unsupportable AR currently on the CFO Act reports will be written off as closed. Contractors will initially record these write offs in the appropriate column of line 6.A on the HCFA 751-A/B MSP report. Contractors' accounting processes will then report the principal portion of these write offs as bad debts in the Expense Section of the HCFA-750A/B, Bad Debts line. The interest portion of the write off will then be reported in the Revenue Section of the HCFA-750A/B, Bad Debts line. (Of course, both situations would result in a reduction of the AR on the HCFA-750A/B.) Show in the remarks section of the HCFA-751A/B MSP the amounts (principal and interest) that were written off as unsupported using the following format:

Unsupportable AR on CFO Act reports:	Principal	Interest
Previous Quarter(s) Total		
Plus Current Quarter Activity	_____	_____
Total FY-to-Date		

=====

Once written off as bad debts on the CFO Act reports, no further action will be taken on the AR. Contractors will not be required to maintain records for future offset or interest accruals. Contractors should store associated records in accordance with existing procedures. AR that meet the "closed" classification will be removed from contractor records, reports, and AR systems.

Contractors should retain a listing of uncollectible AR written off as closed during any given quarter for audit purposes. The listing should contain the following information for each AR written off:

- Date/Quarter the AR was written off as closed
- Contractor name and number
- Contractor contact person/phone number/fax number/e-mail address
- Beneficiary Health Insurance Claim Number (HICN)
- Beneficiary name
- Existing AR amount (principal and interest listed separately)
- Explanation of why the AR is uncollectible

The listing for each quarter must have separate totals for the principal and interest for each AR, all principal, and all interest, as well as a total for the column containing the combined principal/interest amount for each AR.

Each contractor should also retain a separate listing of all uncollectible AR not carried on the CFO Act reports which it removes from its active files. This listing should contain the same information as the listing for AR written off as closed, but should clearly specify that it is for uncollectible AR which the contractor had not included in the CFO Act reports.

#### **Health Insurance Association of America (HIAA) Decision:**

Some contractors have asked whether HCFA will issue write off/adjustment instructions in connection with the HIAA decision. No HIAA write off/adjustment instructions are necessary for the reasons set forth below.

The court's ruling in this case that certain MSP regulatory provisions were invalid did not automatically invalidate any MSP GHP based AR. This is because Medicare recovery demands issued outside of a GHP's timely filing limit are still considered to be timely if certain conditions are met. Medicare recovery demands which are not issued within a GHP's timely filing period are still considered timely if a claim is filed by anyone for the services at issue, within the GHP's timely filing period. If a beneficiary or provider, physician or other supplier has filed a claim with the GHP, including a claim for secondary payment to cover the applicable coinsurance and/or deductible, then HCFA's recovery demand is considered timely as the GHP had notice of a claim for the services at issue within its timely filing period. In short, there were no Medicare recovery demands that were invalidated **solely** because of the HIAA decision.

At the same time that the HIAA decision did not, by itself, render certain Medicare recovery demands invalid, the decision did mean that HCFA had to allow for the possibility of a timely filing defense if certain criteria were met. Contractors have had instructions since 1996 that provide for the adjustment of MSP AR where there is an appropriately documented timely filing defense established. (See the instructional memoranda incorporated by reference in the current Budget Performance Requirements (BPRs), the same instructions which are referenced in the FY 2000 BPRs.)

#### **Write Off -- Currently Not Collectible:**

Transmittal No. AB-99-26, "Procedures for Write-Off and Adjustment/Reclassification of Medicare Contractor NON- Medicare Secondary Payer (MSP) Accounts Receivable" (April 1999, Change Request #862) required contractors to begin using the category of "write off -- currently not collectible" for certain delinquent **non-MSP AR** 2 to 6 years old. HCFA has determined that contractors will **not** use this category for **MSP AR** at this time.

#### ***Funding:***

HCFA CO has examined and evaluated the information delivered to contractors by the data center. Based on an exhaustive analysis of such data, HCFA CO has determined the individual contractor workloads that will be required to fully comply with all provisions of the PM. Accordingly, contractors have been allocated funding for this assignment based on their estimated activity level in complying with the PM, as determined exclusively by HCFA CO. In addition, systems changes are not authorized for the settlement cleanup effort. Based upon information previously solicited from all contractors, HCFA CO is aware that the settlement effort will require manual or semi-automated efforts by many contractors.

***Effective Date and Implementation Date:*** This PM is effective on the date of issuance and contractors should begin implementation immediately. Contractors must complete the settlement related cleanup for MPaRTS Report IDs furnished by HCFA CO by June 30, 2000.

**This PM may be discarded October 1, 2001.**

***Contact:*** Contractors should contact the appropriate RO staff with any questions. RO staff may direct questions to Mary Minnick at "mminnick@hcfa.gov".

